

HONOLULU STAR-BULLETIN (HI)
28 September 1985

High Life Style Put IRS on Rewald

Childrens' Chauffeur, Fleet of Luxury Cars Were Noticed

By Charles Memminger
Star-Bulletin Writer

It was just Ronald Rewald's bad luck that an IRS criminal investigator drove by Rewald's water-front home to and from work every day.

Joseph Campione noticed the large number of cars in Rewald's Kalaanapa'ole Highway driveway, including a limousine with the license plate "RRR," a couple of sports cars and a Mercedes-Benz.

Campione's interest in Rewald began when the IRS agent's children described how Rewald's children were delivered to school in a chauffeur-driven limousine.

So it surprised Campione to find out that Rewald, who lived in the \$1 million house and had thousands of dollars worth of cars, had a taxable income of only \$8,800 in 1980.

And according to Rewald's 1979 tax return, he had a taxable income of a negative \$11,000.

Campione told the jury yesterday in Rewald's federal fraud trial that on the basis of the 1979 and 1980 tax returns, he launched a "full-scale investigation" beginning in November 1982.

The investigation continued until after the fall of Rewald's company in July 1983, although it was halted for about two weeks in February 1983 at the CIA's request.

REWALD CLAIMS the CIA set up and ran his investment company, Bishop, Baldwin, Rewald, Dillingham & Wong. The CIA denies that but does admit that Rewald provided covers for some of its agents.

At the time the IRS investigation began, Rewald had been providing telephone and telex "backstopping" for CIA agents in the Far East and was arranging to provide cover for a West Coast agent.

As Campione pressed his investigation, Rewald went to CIA field office chief Jack Kindschi and asked the CIA to intervene.

Campione said yesterday that Rewald had told him he was connected to the CIA and warned him that the IRS investigation would jeopardize "national security."

Rewald also told Campione that he had not filed tax returns for 1981 and 1982 because he was waiting for instructions from the CIA.

Campione continued his investigation until he was told in February 1983 to suspend it. He was unaware that the CIA had sent officials to Hawaii to investigate Rewald's claim that the IRS investigation threatened sensitive CIA operations.

As far as the CIA knew, it only was using Rewald for light backstopping. CIA officials have testified.

TWO WEEKS after the IRS investigation was stopped, Campione said, he was called into a meeting with the IRS office chief and two CIA men and told that he could resume his investigation of Rewald.

The IRS was just one government agency that was moving in on Rewald during the spring of 1983. The Securities and Exchange Commission and the Federal Deposit Insurance Corp. also was investigating Rewald's activities.

The combined weight of those investigations, along with probes by the news media, drove Rewald to attempt suicide on July 29, 1983. Investors forced the company into bankruptcy a few days later and it was learned that \$12 million in investments was missing.

The government contends Rewald brought in some \$22 million as part of an elaborate Ponzi scheme and spent much of the money on himself.

IRS agent Richard Yamamoto testified yesterday that Rewald had a taxable income in 1979, 1980 and 1981 of \$1.2 million. He said Rewald owes the IRS more than \$700,000.

The government had hoped to rest its case yesterday, but still has one more witness to put on the stand — bankruptcy administrator Thomas Hayes. The trial will resume Tuesday.